

DEPARTMENT OF TRANSPORTATION**AUDITS AND INVESTIGATIONS**

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February 9, 2010

Nelson K. Smith
Director of Finance
City of Bakersfield
1501 Truxtun Avenue
Bakersfield, CA 93301

Re: City of Bakersfield Department of Public Works
Audit of Indirect Cost Rate Proposal for FY 2005/06
File No: P1590-0021 (P1190-0674)

Dear Mr. Smith:

We have audited the City of Bakersfield's (City) Department of Public Works' Engineering Division (DPW Engineering) Indirect Cost Rate Proposal (ICRP) for the fiscal year (FY) ended June 30, 2006, to determine whether the ICRP is presented in accordance with 2 Code of Federal Regulation (CFR) Part 225 (formally the Office of Management and Budget Circular A-87) and the California Department of Transportation's (Department) Local Programs Procedures (LPP) 04-10. City management is responsible for the fair presentation of the ICRP. The City proposed an indirect cost rate of 91.99 percent of direct DPW Engineering Division salaries and wages, excluding benefits.

Our audit was conducted in accordance with the Standards for Performance Audits set forth in the *Government Auditing Standards* issued by the Comptroller General of the United States of America. The audit was less in scope than an audit performed for the purpose of expressing an opinion on the financial statements of the City. Therefore, we did not audit and are not expressing an opinion on the City's financial statements.

The standards require that we plan and perform the audit to obtain reasonable assurance about whether the data and records reviewed are free of material misstatement, as well as material noncompliance with fiscal provisions relative to the DPW Engineering ICRP. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the data and records reviewed. An audit also includes assessing the accounting principles used and significant estimates made by the City, as well as evaluating the overall presentation.

The accompanying DPW Engineering ICRP was prepared on a basis of accounting practices prescribed in 2 CFR Part 225 and the Department's LPP 04-10, and is not intended to present the results of operations of the City in conformity with generally accepted accounting principles.

The scope of the audit was limited to select financial and compliance activities. The audit consisted of a recalculation of the ICRP, a comparison of the ICRP to single audit report for the FY ended June 30, 2006, and 2007, and inquiries of City personnel. The audit also included tests of individual accounts to the general ledger and supporting documentation to assess allowability, allocability and reasonableness of costs based on a risk assessment and an assessment of the internal control system as related to the ICRP as of July 31, 2008. Financial management system changes subsequent to this date were not tested and, accordingly, our conclusion does not pertain to changes arising after this date. We believe that our audit provides a reasonable basis for our conclusion.

Because of inherent limitations in any financial management system, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the financial management system to future periods are subject to the risk that the financial management system may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Our findings and recommendations take into consideration the City's response dated April 3, 2009, to our March 17, 2009, draft findings. Our findings and recommendations, a summary of the City's response and our analysis of the response are detailed below. See Attachment I for a copy of the City's response.

AUDIT RESULTS

Based on audit work performed on the DPW Engineering ICRP for the FY ended June 30, 2006, we approve an indirect cost rate of 91.99 percent. However, since the ICRP does not include all relevant labor costs, the rate may only be applied to direct salaries and wages of the DPW's Engineering Division personnel. The rate must not be applied to labor costs of non-Engineering personnel. The City must ensure to identify and exclude any direct salary and wage costs of non-Engineering staff prior to application of the rate. The ICRP rate for the FY ended June 30, 2006, is based on actual costs, therefore the carry forward provision does not apply.

Audit Findings

Finding 1

Due to a number of significant errors, the City was unable to support the Citywide Cost Allocation Plan (CiCAP). We found that the same wages included in the CiCAP for Finance Administration were treated as both direct and indirect costs. We also identified errors with

three of the bases used to allocate costs through the CiCAP. The errors include duplicate counts of Full Time Equivalent (FTE), failure to include all City buildings in the calculations of square footage to allocate related service costs, the inclusion of at least one buildings square footage that did not receive City general services, and incorrectly using the number of personal computers to allocate Geographical Information Services (GIS) costs when the actual allocation was based on the number of GIS software packages. Therefore, the CiCAP was unsupported and disallowed and the DPW Engineering is limited to the use of their approved indirect cost rate without CiCAP costs included.

Singular recovery and consistent treatment of costs are two basic factors affecting the allowability of costs, as per 2 CFR Part 225, Appendix A, section C. Basic Guidelines, (1.) (f) "A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost." Due to the potential for over-recovery of cost and unresolved treatment of relevant salary costs, all CiCAP costs have been excluded from the FY 2005/06 approved ICRP rate.

Recommendation

We recommend that prior to requesting reimbursement for FY 2005/06 indirect costs, the City identify and exclude all non-Engineering personnel labor costs from the amount to which the ICRP rate is applied. We also recommend that all non-DPW Engineering direct labor costs are clearly and separately identified on the invoices submitted to the Department so that only DPW Engineering labor is used to calculate an appropriate indirect cost.

We also recommend that if the City plans on recovering CiCAP costs in the future, that the City review and revise, as necessary, its methodology for allocating Citywide costs to ensure that costs which are directly charged and recovered are not also included in the CiCAP indirect cost pools. Further, we recommend that City staff obtain a better understanding of the CiCAP development and application process to include awareness of what costs are used to create the CiCAP and the proper application of the CiCAP. Finally, any future CiCAP and/or ICRPs submitted to the Department for approval must capture all relevant costs, whether charged directly or indirectly.

City's Response

The City will exclude direct costs not included in the FY 2005/06 ICRP calculation so that the rate is not applied incorrectly. Additionally, the City will review expenditures used to prepare future CiCAPs to ensure that direct charges are identified and appropriately excluded from the cost pools so that they are not distributed through the allocation plan.

Analysis of Response

The City agrees with the finding and recommendation.

Finding 2

Based on the number of issues identified during our audit, it appears the City relies too heavily on consultant work in the development of its indirect cost rate(s) and employs inadequate oversight of those same consultants. Through our review of the submitted CiCAP and ICRP, and audit testing, we noted several problematic areas, which resulted in the need for multiple revisions and resubmissions. The CiCAP was twice revised and the ICRP was revised no fewer than ten times. Specific issues that we identified with the CiCAP are summarized below.

An example of one error that resulted in a resubmission involved the basis of the CiCAP. On September 6, 2007, the City incorrectly certified that the costs used in the CiCAP were the "actual costs for the 2005/2006 fiscal year." Through our audit it was later determined that the CiCAP submitted was based on budgeted costs and not based on actual costs. When asked the City was unable to provide an explanation for why the error was not identified and corrected before the CiCAP was submitted to the Department's Audits and Investigations Division.

We also identified several errors with three of the bases used to allocate costs through the CiCAP (please see Finding 1 above). However, as noted in Finding 1 above, the CiCAP costs were ultimately excluded from the approved DPW Engineering ICRP rate.

Specific issues with the DPW Engineering ICRP were identified and summarized below.

1. The labor costs used in the earliest versions of the DPW Engineering ICRP did not agree to the amounts recorded in the City's general ledger. Instead of determining the reason for the variance, it appeared that the difference was simply assigned as other pay. We later determined that the City's consultant was relying on invalid data, although the City had provided supportable salary reports.
2. Initially, direct labor costs were included in the DPW Administrative ICRP indirect cost pool, and indirect labor costs were excluded from the DPW Engineering ICRP pool. While the reason for including direct labor in the DPW Administrative ICRP pool is unclear, the City's consultant stated that inclusion of the indirect labor in the DPW Engineering ICRP pool would affect the rate by less than one-tenth of one-percent. However, based on our analysis the amount was significant and materially increased the rate.
3. The same salary, benefits and other pay charges were included in two separate salary reports used to develop the ICRP and the duplicated amount was included in the base.
4. Certain payroll costs that are automatically allocated through the payroll system were manually redistributed, resulting in a double allocation and disproportionate amount of other pay in the indirect cost pool.

5. Wages of part-time employees who charged time to projects were initially excluded from the DPW Engineering ICRP base.
6. Assignment of labor costs to appropriate designations (direct, indirect or unidentified) is a manual endeavor, which is fraught with inherent risk of human error.
7. Payroll adjustments are completed manually and do not include all related labor costs (e.g. associated benefits).
8. Unallocated pay was incorrectly assigned to projects.

These errors were adequately addressed in the final, approved version of the ICRP.

2 CFR Part 225, Appendix A, section A.2 Policy guides, states in part that the Cost Principles are based on the fundamental premises that Governmental units:

“(1) ... are responsible for the efficient and effective administration of Federal awards through the application of sound management practices.

“(2) ... assume responsibility for administering Federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the Federal Award.

Part 6 of the OMB Circular A-133 Compliance Supplement provides guidance and describes characteristics of internal control, including ongoing monitoring activities such as independent reconciliations, supervisory review and management review of reports.

Recommendation

The City should strengthen its internal control procedures related to the development and application of the indirect cost rates. At a minimum, the City should review the work of its consultant prior to certifying and submitting the CiCAP or ICRP to the Department for approval. In tandem with the recommendation listed in Finding 1 above, the City should establish written policy addressing the development and oversight of the CiCAP and ICRP.

The City should also refrain from submitting a CiCAP as part of the DPW Engineering ICRP until it has implemented the recommendations above.

City's Response

The City acknowledges its reliance on consultant work and the need to improve the review process of consultant work. The City will work to strengthen staff understanding of requirements pertaining to the CiCAP and ICRP.

Analysis of Response

The finding and recommendation remain unchanged.

Finding 3

We found that the City does not have an official timekeeping policy, and noted a number of inconsistencies in charging practices and inadequacies in the recording and approving of labor costs. Specific instances are identified below:

1. DPW Engineering employees involved with a number of road way improvement projects, collectively known as the Thomas Roads Improvement Program (TRIP) had a limited understanding of the difference between properly charging time as direct and/or indirect. Through our audit we identified that the majority of staff assigned to TRIP charged their time to an administrative code even when they were performing identifiable specific project activities.
2. We noted multiple occurrences where per diem costs for travel to meetings or registration costs for conferences were directly charged to projects, but the related employee time to attend the meetings or conferences was charged indirectly.
3. We noted that the DPW Director's time is allocated to various funds based on a pre-determined distribution instead of actual data. City staff stated the distribution percentages were determined based on "historical data", which were reviewed during the budget cycle. In addition to the DPW Director, we noted that other DPW staff have similar predetermined allocations.
4. We noted several instances of employee timesheets hours erroneously posted in the payroll records.
5. We noted that the DPW Director did not sign any of his three time cards we reviewed. We also noted another instance where a timesheet was altered without an initial or notation to document the reason for the change

2 CFR Part 225, Appendix A, section E.1 defines direct costs as those that can be identified specifically with a particular final cost objective. Section F.1 defines indirect costs as those that are incurred for a common or joint purpose benefiting more than one cost objective, and cannot be readily assignable to the cost objectives specifically benefited, without effort disproportionate to the results achieved.

2 CFR Part 225, Appendix B #8(h)(5)(e) states, in part, that budget estimates or other distribution percentages determined before services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that comparisons of actual costs to budgeted distributions based on monthly activity reports are made and the budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances. Subsection #8(h)(5)(d) states that personnel activity reports (i.e. timesheets) must be signed by the employee.

Improper timekeeping policy and procedures can result in over or under charging of direct and indirect cost.

Recommendation

We recommend that the City develop and distribute timekeeping policy and procedures to address proper and consistent charging practices, including procedures related to review and approval of timesheets and labor reports, to ensure accurate recording of data. At a minimum, the policy and procedures should 1) Provide guidance on the difference between direct and indirect activities; 2) Ensure that time distributions are based on actual, after-the-fact activity recorded by the employee; 3) Require timecards to be signed by employees and approved by a supervisor; and 4) Require that any alteration to an original record be initialed and the explanation documented.

City's Response

The City agrees that better guidance should be provided to staff and will draft a timekeeping policy that will be disseminated to all departments when completed.

Analysis of Response

The finding and recommendation remain unchanged.

Finding 4

The City's policies relating to travel expense reimbursement are vague and incomplete, which can lead to the claim for and reimbursement of unallowable costs. In the course of our sample testing, we identified a number of problematic issues relating to travel cost, charging and documentation. Specific instances are noted below.

1. City staff chartered an aircraft to provide transportation for three employees to attend a meeting in Sacramento. The \$1,350 cost was directly charged to a single TRIP project, but none of the employees charged their related time to the TRIP project. When we inquired about the inconsistency, City staff stated that it was an oversight for staff not to have charged their time directly. However, from a description of the meeting, it appears several projects were topics of discussion not just one. Therefore, it would appear that the travel cost should have been charged to the several projects that directly benefited from the trip or if the effort to charge the cost to the multiple projects is disproportionate to the results achieved then the cost should have been charged as an indirect cost.
2. We noted three instances where the cost of lodging exceeded the federal rate in effect at the time the costs were incurred. Although the City has established written policies that address reimbursement for travel related costs incurred while on City business, we believe that the language relating to lodging costs is insufficiently detailed to provide useful guidance. Specifically, the City's Business Leave Policy Number III-1.3.1, dated 2/12/81, states in part "that minimum cost accommodations in keeping with availability, convenience and propriety shall be obtained by the attending officer or employee." Per

2 CFR Part 225, Appendix B #43, in the absence of an acceptable written policy, the rate and amounts established by the federal government shall apply. Additionally, we also noted that the travel costs were charged directly, but incurred in relation to conferences where many topics would be discussed, making it unlikely that the entire cost would be benefiting a single project.

It should also be noted that while not in effect during the time period tested, Master Agreement Number 06-5109R between the City and the Department currently limits travel and subsistence expenses to the rates established by the California Department of Personnel Administration, and these costs would be unallowable if incurred at present.

3. We noted one instance where an employee was reimbursed four full days of per diem for meal-related expenses plus the cost of an extra dinner for travel to a three-day conference, where some meals were included with registration. Additionally, the per diem was charged directly, but the employee's time was not. City staff later stated that the travel costs should have been charged indirectly and they erred when reimbursing for the extra meals. The excess cost of per diem is calculated at \$135.
4. We noted one instance where the cost of lodging was supported only by an emailed confirmation, not the actual hotel receipt. The City's policy requires receipts to be turned in with travel expense vouchers. City staff stated that it is their practice to require receipts, but in this case either the receipt was lost or never received. 2 CFR Part 225, Appendix A, Section C.1.j, requires for a cost to be allowable, it must be adequately documented.
5. The City has at least four separate policies addressing travel or transportation (Nos. III-1.3.1 - Business Leave; V-3.1 - General Expense Vouchers; V-3.2 - Expense Advances; and V-3.3 - Automobile and Mileage Allowance), none of which has been revised since 1988.

The failure to have proper travel policies and to ensure travel costs are correctly charged as direct or indirect could result in the over or under charging of costs.

Recommendation

We recommend that the City review, and revise as necessary, its travel related policies. The travel policy should address 1) Differentiation between direct and indirect activities, including guidance on categorizing travel related costs; 2) Acceptable modes of transportation utilized by City employees; and 3) Specific guidance on acceptable lodging rates, including exceptions to established practices. The City may also consider consolidating its travel policies.

City's Response

The City is currently reviewing its updated travel related policies and will make appropriate changes as needed.

Analysis of Response

The finding and recommendation remain unchanged.

Finding 5

The City included unallowable costs in its indirect cost pools. Specific instances, relevant criteria and the resolution are noted below.

1. We identified various unallowable costs included in the CiCAP, including City Attorney Office's costs for services to transcribe minutes of a City Council meeting, a flower arrangement sent to congratulate an employee for a promotion and considerable food costs. All of these costs would be unallowable under 2 CFR Part 225, and as a result of these and the other CiCAP issues identified all CiCAP costs were excluded from the DPW Engineering approved ICRP rate.
2. Costs incurred for equipment and other capital expenditures were included in the TRIP indirect cost pool. Per 2 CFR Part 225, Appendix B, (15b) (5), equipment and other capital expenditures are unallowable as indirect costs. Initially, the City had proposed a separate indirect cost rate for its TRIP projects, but it was determined that a separate rate was inappropriate and the TRIP indirect costs were included in the Engineering indirect cost pool. The approved DPW Engineering ICRP rate excluded the unallowable equipment costs.
3. The cost of freight to deliver bike lockers purchased for a specific project were included in the Engineering indirect cost pool. City staff stated that the costs were charged indirectly because there were not enough funds encumbered for the project. 2 CFR Part 225, Appendix A, Section E. (1) defines direct costs as those that can be associated with a particular cost objective. Section F. (1) defines indirect costs as those that are incurred for a common or joint purpose benefiting more than one cost objective. The City and DPW Engineering should ensure that all costs are properly classified as direct or indirect. However, due to the immaterial amount, we did not require the cost to be excluded from the pool.

Recommendation

We recommend that the City establish procedures to ensure unallowable costs are identified and excluded from the indirect cost pools.

City's Response

The City will review the allowability of expenditures to ensure adherence to City policies and the Finance Department will establish procedures for the preparation of the CiCAP to ensure unallowable costs of a material amount are excluded and not distributed through the allocation plan.

Analysis of Response

The finding and recommendation remain unchanged.

This report is intended solely for the information of the City, Department Management, the California Transportation Commission and the Federal Highway Administration (FHWA). However, this report is a matter of public record and will be posted on the Reporting Transparency in Government website.

Please retain the approved ICRP for your files. Copies were sent to the Department's District 6, the Department's Division of Accounting and the FHWA. If you have any questions, please contact Barbara Nolan, Auditor, at 916-323-7880, or Cliff Vose, Audit Manager, at 916-323-7917.

MARYANN CAMPBELL-SMITH
Chief, External Audits – Local Governments

Attachments

- c: Brenda Bryant, Director, Financial Services, Federal Highway Administration
Sue Kiser, Director, Planning and Air Quality, Federal Highway Administration
James Ogbonna, Chief, Rural and Intercity Bus Branch, Division of Mass Transportation
David Saia, Senior Transportation Engineer, Policy Development and Quality Assurance, Division of Local Assistance
Jenny N. Tran, Associate Account Analyst, Local Program Accounting Branch, Local Assistance
Jim Perrault, Local Assistance Engineer, District 6
P1590-0021



**City of Bakersfield, California
Department of Public Works**

Indirect Cost Plan

The indirect cost rates contained herein are for use on grants, contracts and other agreements with the Federal Government and California Department of Transportation (CalTrans), subject to the conditions in Section II. This plan was prepared by MGT of America, Inc. in conjunction with the City of Bakersfield's Department of Finance and Public Works Department and approved by CalTrans.

Section I: Rates

Rate Type	Effective Period	Rate	Applicable to
Final	7/1/05 to 6/30/06	91.99% *	Public Works Engineering

*Base: Direct (01) Salaries

Section II: General Provisions

A. Limitations:

The rate in this Agreement is subject to any statutory or administrative limitations and applies to a given grant, contract, or other agreement only to the extent that funds are available. Acceptance of the rate is subject to the following conditions: (1) Only costs incurred by the organization were included in its indirect cost pool as finally accepted: such costs are legal obligations of the organization and are allowable under the governing cost principles; (2) The same costs that have been treated as indirect costs are not claimed as direct costs; (3) Similar types of costs have been accorded consistent accounting treatment; and (4) The information provided by the organization which was used to establish the rate is not later found to be materially incomplete or inaccurate by the Federal Government or the Department. In such situations the rate would be subject to renegotiation at the discretion of the Federal Government or the Department; (5) Prior actual costs used in the calculation of the approved rate are contained in the grantee's Single Audit which was prepared in accordance with 2 Code of Federal Regulations, Part 225. If a Single Audit is not required to be performed, then audited financial statements should be used to support the prior actual costs; and, (6) The costs used in the calculation of the rate are from the grantee's accounting system general ledger report for the fiscal year ended June 30, 2006.

B. Accounting Changes:

This Agreement is based on the accounting system purported by the organization to be in effect during the Agreement period. Changes to the method of accounting for costs which affect the amount of reimbursement resulting from the use of this Agreement require prior approval of the authorized representative of the cognizant agency. Such changes include, but are not limited to, changes in the charging of a particular type of cost from indirect to direct. Failure to obtain approval may result in cost disallowances.

C. Fixed Rate with Carry Forward:

The final rate used in this Agreement is based upon actual costs for the period covered by the rate, therefore, a carry forward does not apply.

D. Audit Adjustments

Immaterial adjustments resulting from the audit of information contained in this plan shall be compensated for in subsequent indirect cost plans approved after the date of the audit adjustment. Material audit adjustments will require reimbursement from grantee.

E. Use by other Federal Agencies

Authority to approve this agreement by CalTrans has been delegated by the Federal Highway Administration, California Division. The purpose of this approval is to permit subject local government to bill indirect costs to Title 23 funded projects administered by the Federal Department of Transportation (DOT). This approval does not apply to any grants, contracts, projects, or programs for which DOT is not the cognizant Federal agency.

The approval will also be used by CalTrans in State-only funded projects.

F. Other:

If any Federal contract, grant, or other agreement is reimbursing indirect costs by a means other than the approved rates in this Agreement, the organization should (1) credit such costs to the affected programs, and (2) apply approved rates to the appropriate base to identify the proper amount of indirect costs allocable to these programs.

G. Rate Calculation**Engineering:**

FY 2005/2006 Indirect Costs	\$2,659,184
Carry Forward from 2004	<u>\$0</u>
Actual FY 2005/2006 Indirect Costs	\$2,659,184
FY 2005/2006 Direct Salaries	\$2,890,599
FY 2005/2006 Indirect Cost Rate	91.99%

CERTIFICATION OF INDIRECT COSTS

This is to certify that I have reviewed the indirect cost rate proposal submitted herewith and to the best of my knowledge and belief:

- (1) All costs included in this proposal to establish billing or final cost rates for fiscal year 2006 (July 1, 2005 to June 30, 2006) are allowable in accordance with the requirements of the federal and state award(s) to which they apply and OMB Circular A-87, "Cost Principles for State, Local, and Indian Tribal Governments." Costs used in this plan are the actual costs for the 2005/2006 fiscal year. Unallowable costs have been adjusted for in allocating costs as indicated in the cost allocation plan.
- (2) All costs included in this proposal are properly allocable to federal and state awards on the basis of a beneficial or causal relationship between the expenses incurred and the agreements to which they are allocated in accordance with applicable requirements. Further, the same costs that have been treated as indirect costs have not been claimed as direct costs. Similar types of costs have been accounted for consistently and the Federal Government will be notified of any accounting changes that would affect the final rate.

I declare that the foregoing is true and correct.

Governmental Unit: City of Bakersfield, California

Signature:

Signature:

Reviewed, Approved and Submitted by:

Prepared by:

Name of Official: Nelson Smith

Name of Official: RICHARD HAZELTINE

Title: Finance Director

Title: SENIOR CONSULTANT

Date of Execution: 3/5/09

Phone: 916-955-8420

INDIRECT COST RATE APPROVAL

The State DOT has reviewed this indirect cost plan and hereby approves the plan.

Signature

Signature

Reviewed and Approved by:

Reviewed and Approved by:

MARYANN CAMPBELL-SMITH

Barbara Nolan

Chief, External Audits

Auditor

Date: 8 Feb 10

Date: 1/19/10

Phone Number: 916-323-7105

Phone Number: 916-323-7880



April 3, 2009

Mr. Cliff Vose
California Department of Transportation
Audits & Investigations MS-2
P.O. Box 942874
Sacramento, CA 94274-0001

Dear Cliff:

Re: CalTrans Draft Audit Report for the 05/06 Indirect Cost Rate Proposal for the City of Bakersfield.

The City has reviewed the findings and comments from CalTrans regarding the approved 05/06 ICRP and believes the recommendations have merit. The following measures below are being implemented. Please incorporate these responses with the final draft of your audit report.

FINDING 1

The City will properly review the expenditures used to prepare future CiCAP to ensure that direct charges are identified and appropriately excluded from the cost pools so that they are not distributed through the allocation plan. In addition, the City will specifically exclude direct costs not included in the 2005/06 IRCP calculation so that rate is not applied incorrectly.

FINDING 2

The City acknowledges that we relied heavily on professional consultants who have expertise in procedures followed in preparing CiCAP's and that we need to improve our review processes of their work prior to submission. The City will also continue to work to strengthen staff understanding of the requirements of the CiCAP and IRCP as specified by 2 CFR 225 and CalTrans' regulations.

FINDING 3

The City agrees that better guidance can and should be provided to staff to ensure the proper completion, review and input of time records. City staff will begin to draft a time keeping policy that upon completion will be disseminated to all departments.

FINDING 4

Revision of the travel related policies have been updated and are currently under review. The City will review these updated policies in relation to CalTrans' findings and make appropriate changes as needed.

Please let us know if you need additional information or if you have other questions.

Sincerely,

Nelson Smith
Finance Director

FINDING 5

The City will review with departments the allowability of certain expenditures to ensure adherence to City policies. The City Finance department will also establish procedures for the preparation of the CiCAP to ensure unallowable costs of a material amount are excluded and are not distributed through the allocation plan.

NOTE: Response to Finding 5 was sent electronically